

**In the Specification:**

Please **SUBSTITUTE** the following amended paragraph/section for the pending paragraph (a marked up copy of the prior pending paragraph with all changes shown is supplied in the appendix):

Please replace the pending paragraph, which begins on page 1, line 5 with:

This application is related to U.S. patent applications No. 09/079,104 entitled "Compression of Combined Black/White and Color Video Signal", [No. 09/079,049 (Attorney Docket No. INT1P023)] **U.S. Patent No. 6,229,929, issued 8 May 2001** entitled "Border Filtering of Video Signal Blocks" and No. 09/079,427 entitled "Color Rotation Integrated With Compression of Video Signal", all filed on the same date herewith, and each of which is hereby incorporated by reference.

Please replace the pending paragraph, which begins on page 2, line 7 with:

Other types of coding such as MPEG coding use interframe or interfield differencing in order to compare frames or fields and thus achieve a better compression ratio. However, in order to compare frames, at least one full frame must be stored in temporary storage in order to compare it to either previous or subsequent frames. Thus, to produce the I, B, and P frames necessary in this type of coding, a frame is typically received and stored before processing can begin. The amount of image data for one frame can be prohibitive to store in RAM, and makes such codec implementations in hardware impractical due to the cost and the size of the extra memory needed. In particular, these codec implementations on an integrated circuit or similar device can be simply [to] **too** expensive due to the amount of memory required.

Please replace the pending paragraph, which begins on page 19, line 1 with:

Once the block has been quantized the block is encoded in step 232. A wide variety of encoding techniques may be used. By way of example, entropy coding has been found to work well. For example, Huffman coding, arithmetic coding or LZW coding may be used. Other proprietary coding techniques may also be used such as those described in U.S. patent application No. 08/607,388 (Atty. Docket INT1P002) filed February 27, 1996, entitled "Compression of Functions Defined on Manifolds", **now U.S. Patent No. 6,144,773, issued 7 November 2000** and in U.S. provisional application No. 60/050,933 (Atty. Docket INT1P005+), filed May 30, 1997, entitled "Single Chip Motion Wavelet Zero Tree Codec For Image And Video Compression" **now regular U.S. patent application serial no. 09/087,449, filed 29 May 1998**, both of which are hereby incorporated by reference. In general, the encoding algorithm is used to remove redundant information and in particular any groups of zeros produced by quantization. In a preferred embodiment of the invention, standard zerotree encoding is used.